

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 237249
ORIGIN EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 IO-13
ISO-00 TRSE-00 INT-05 COME-00 L-03 FRB-03 OMB-01
ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00
INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-05 CEA-01
SS-15 /135 R

DRAFTED BY EB/ISM:MDEWITT.GS
APPROVED BY EB/ISM:WCLENAHAN, ACTING
TREASURY - CWESSNER (DRAFT)
BUMINES - FKLINGER (DRAFT)
COMMERCE - WSUGG (DRAFT)
INR - JCOOK (DRAFT,

-----009527 012224Z /70

R 011814Z OCT 77
FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA
AMEMBASSY CANBERRA
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY BRASILIA
AMEMBASSY NEW DELHI
AMEMBASSY MONROVIA
AMEMBASSY CARACAS
AMEMBASSY SANTIAGO
AMEMBASSY LIMA
AMEMBASSY NOUAKCHOTT
INFO USMISSION GENEVA

LIMITED OFFICIAL USE STATE 237249
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 237249

E.O. 11652: N/A

TAGS:EMIN, UNCTAD

SUBJECT: UNCTAD COMMODITIES: IRON ORE

, DEPARTMENT REQUESTS ACTION POSTS'ASSESSMENT OF HOST COUNTRY ATTITUDES AND LEVEL OF INTEREST RE OCTOBER 24-28 IRON ORE PREPCON UNDER UNCTAD INTEGRATED COMMODITIES PROGRAM. INFORMATION ALSO REQUESTED ON HOST COUNTRY PERCEPTIONS OF OTHER PARTICIPANTS' POSITIONS--PARTICULARLY THOSE OF MEMBERSHIP OF ORGANIZATION OF IRON ORE EXPORTING COUNTRIES (AIOEC). RESPONSE NEEDED BY OCTOBER 7.

2. PARAS BELOW CONTAIN PRECIS AND COMMENTS ON SECRETARIAT POLICY DOCUMENT (TD/B/IPC/IRON ORE/3) PREPARED FOR MEETING WHICH MAY BE USEFUL IN DISCUSSIONS. (FYI: SECRETARIAT BA-KGROUND AND STATISTICAL REPORTS WERE MYSTERIOUSLY WITHDRAWN AFTER BRIEF CIRCULATION. THUS, BASIS OF SOME CONCLUSIONS, WHICH ARE PUZZLING, CANNOT BE CHECKED).

3. REPORT ASSERTS THAT ALTHOUGH THERE IS NO SINGLE MARKET OR SET OF PRICES FOR IRON ORE, PRICE MOVEMENTS HAVE BEEN SUCH THAT CURRENT REAL PRICES ARE BELOW THOSE OBTAINING IN MID-1950'S. EXPORTS OF MOST PRODUCERS HAVE INCREASED ENOUGH IN VOLUME TO PROVIDE GROWTH IN EARNINGS, BUT

CONTINUATION OF CURRENT STEEL RECESSION WITH THE EXISTING EXCESS IRON ORE CAPACITY IS LIKELY TO BRING ABOUT DETERIORATION IN PRODUCER EARNINGS. LDC IRON ORE EXPORTS (45 PERCENT OF WORLD TOTAL), REPORT CONTINUES, HAVE HIGHER AVERAGE FE CONTENT AND LOWER UNIT VALUE THAN DC EXPORTS, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 237249

AND LDC PRODUCTION OF SINTER AND PELLETS IS DISPROPORTIONATELY SMALL. SECRETARIAT IDENTIFIES REAL PRICE DECLINE AS KEY ISSUE AND ATTRIBUTES IT TO CONSTANT PRESSURE ON MARKET OF SUPPLIES OF NEWLY DISCOVERED RICH ORE, WHICH HURTS LESS PRODUCTIVE EXPORTERS AND PASSES GAINS FROM HIGHER PRODUCTIVITY IN NEW AREAS PREDOMINANTLY TO CONSUMERS.

4. TO REMEDY ABOVE SITUATION REPORT PROPOSES MEASURES TO HOLD FOB PRICES AT "REMUNERATIVE AND JUST" LEVELS WITH "BROAD CORRESPONDENCE BETWEEN THE PRICE OF IRON ORE AND MOVEMENTS IN THE PRICES OF MANUFACTURED GOODS IMPORTED BY THE DEVELOPING COUNTRIES OR MOVEMENTS IN THE PRICE OF STEEL OR MOVEMENTS IN THE PRICES OF AN ASSOCIATED RAW MATERIAL (E.G. COKING COAL)..." OR AT AN APPROPRIATE LEVEL NOT TIED TO A PRICE INDEX. SECRETARIAT REJECTS BUFFER STOCKING AS TOO EXPENSIVE RELATIVE TO UNIT VALUE AND INFEASIBLE FOR TECHNICAL REASONS BUT RAISES POSSIBILITY OF COMMODITY AGREEMENT USING EXPORT, PRODUCTION, AND CAPACITY EXPANSION QUOTAS ALL FAVORING THE LDC EXPORTERS (REPORT DRAWS ANALOGY TO STEEL INDUSTRY PRACTICE OF ATTEMPTING TO ADJUST QUANTITY RATHER THAN PRICE IN

RESPONSE TO MARKET DOWNTURNS), INTERNATIONAL COORDINATION OF NATIONAL INVENTORIES, OR, ALTERNATIVELY, FIXED PRICE BANDS FOR REFERENCE GRADES OF ORE. REPORT SUGGESTS LONG-TERM BILATERAL CONTRACTS TO REINFORCE ABOVE MEASURES ALONG WITH CHANGE FROM FOB TO C & F MARKETING AND GREATER USE OF LDC OWNED VESSELS TO INCREASE LDC EARNINGS FROM MARKETING AND TRANSPORT. REPORT MENTIONS COMPENSATORY FINANCING BUT SAYS IT IS INCONSISTENT WITH OBJECTIVE OF UNCTAD PROGRAM TO IMPROVE THE COMMODITY MARKETS THEMSELVES. DOCUMENT CONCLUDES WITH SUGGESTION THAT PRODUCER/CONSUMER FORUM WOULD BE USEFUL IN FILLING MAJOR GAPS WHICH EXIST IN KNOWLEDGE OF MARKET BUT ONLY AS A PRELUDE TO ACTION.

5. USG BELIEVES SCHEME OUTLINED BY SECRETARIAT WOULD LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 237249

PENALIZE CONSUMERS BUT ALSO WORK TO DISADVANTAGE OF HIGHLY "COMPETITIVE PRODUCERS (E.G. AUSTRALIA AND BRAZIL), WHO WISH TO EXPAND THEIR EXPORT VOLUME AND MARKET SHARES, AND THAT THESE COUNTRIES WILL PROBABLY OPPOSE IT. PROGRAM TO RAISE PRICE WOULD IMPROVE THE COMPETITIVENESS OF FERROUS SCRAP AND OF OLDER IRON ORE PRODUCING AREAS SUCH AS FRANCE, SWEDEN, CANADA AND THE US (UNLESS SPECIFIC MEASURES ARE TAKEN TO PREVENT THIS) AND MAINLY HURT THE COASTAL STEEL COMPLEXES IN JAPAN AND THE EC, WHICH RECENT STUDIES INDICATE, MAY HAVE A COMPETITIVE EDGE IN IRON ORE COSTS THROUGH IMPORTS OF HIGH GRADE ORES FROM THE MOST COMPETITIVE SUPPLIERS VIA LARGE BULK CARRIERS.

6. THE USG WOULD BE PREPARED TO CONSIDER, AND POSSIBLY SUPPORT, THE ESTABLISHMENT OF A PRODUCER/CONSUMER FORUM. IT IS OUR UNDERSTANDING THAT THE UNCTAD AND THE AIOEC SECRETARIATS ARE ANXIOUS TO AVOID A REPETITION OF THE INCONCLUSIVE RESULTS OF THE JUNE MANGANESE PREPCON AND THAT AIOEC LEADERSHIP MAY WISH TO USE THE UNCTAD EXERCISE TO RALLY ITS OWN MEMBERSHIP TO A MORE ACTIVE STANCE ON IRON ORE QUESTIONS. HOWEVER, GIVEN THE CONFLICTS OF INTEREST AMONG THE AIOEC MEMBERS, WE DOUBT THEY WILL BE ABLE TO AGREE ON MORE THAN HOLDING A PRODUCER/CONSUMER DIALOGUE THROUGH UNCTAD.

7. PLEASE PROVIDE NAMES AND/OR LEVEL OF REPRESENTATIVES IF AVAILABLE. CHRISTOPHER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, IRON, POLICIES, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE237249
Document Source: CORE
Document Unique ID: 00
Drafter: MDEWITT.GS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770359-0610
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197710104/aaaadkjs.tel
Line Count: 164
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 64d13524-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 746309
Secure: OPEN
Status: NATIVE
Subject: UNCTAD COMMODITIES: IRON ORE , DEPARTMENT REQUESTS ACTION POSTS\ASSESSMENT OF HOST COUNTRY ATTITUDES AND LEVEL OF INTEREST RE OCTOBER
TAGS: EMIN, CA, UNCTAD
To: OTTAWA CANBERRA MULTIPLE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/64d13524-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009